Brascan
LIMITED

1980 Annual Report

Brascan LIMITED

Brascan Limited is an investment management company with holdings in the natural resources, consumer products and financial services sectors.

Corporate Structure

Natural Resources

Westmin Resources Limited: 84%
Resource exploration, development and production

Great Lakes Power Group: 49%
Generation and distribution of hydro-electric power and other investments

Noranda Mines Limited: 14%
Mining, manufacturing and forest products

Consumer Products

John Labatt Limited: 41.7%
Brewing, consumer and agri products

Scott Paper Company: 20.5%
Paper, forest and other products

Other
Consumers Glass Company Limited
The Quaker Oats Company

Financial Services

London Life Insurance Company: 39%
Life insurance and financial services

Royal Trustco Limited: 14.6%
Trust and other financial services

Triarch Corporation Limited: 51%
Merchant banking and other financial services

Other Assets

Brascan Brazil
Natural resources, real estate and other

Financial Assets
Cash, short-term investments, certain marketable and other securities, debentures, loans and notes

Financial Highlights

millions	1980	1979
Net income	$ 86.0	$ 53.6
Dividends declared	39.7	36.7
Shareholders' equity	909.4	855.7
Total assets	1,455.1	1,291.1
Per ordinary share		
Net income	$ 3.17	$ 1.94
Dividends paid	1.40	1.28*
Shareholders' equity	33.17	31.48
Ordinary share statistics		
Market prices		
High	$ 37⅞	$ 28.00
Low	21½	18.00
Close	34¾	22.00
Average shares outstanding (millions)	26.2	26.1
Registered shareholders	27,374	27,623

*Equivalent to actual paid of U.S. $1.10.

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To the Shareholders:

Directors' Report

Net income for 1980 was $86.0 million ($3.17 per share) including an extraordinary gain of $8.7 million ($0.33 per share) compared with $53.6 million ($1.94 per share) in 1979 which included an extraordinary gain of $17.2 million ($0.66 per share). The extraordinary gains recorded in 1980 and 1979 relate to the application of loss carry forwards to reduce income taxes.

Overall, 1980 was a successful year for Brascan. We completed the consolidation and reorganization undertaken in the second half of 1979 and in all other respects achieved more than planned. As a result a solid base has been laid for future significant investment initiatives.

Brascan's new corporate philosophy was substantially put into effect during 1980. Reduced corporate expenses in both Toronto and Rio de Janeiro reflect the streamlining of decision-making and administrative operations. Each of the Company's three major areas of interest was enlarged either through greater commitment to existing investments or the acquisition of investment positions in other companies.

The three major sectors showed a sharp improvement in income. On an equity accounted basis, the natural resources sector contributed income of $49.1 million in 1980 compared with $23.9 million in 1979. The consumer products sector contributed income of $12.0 million in 1980 compared with $6.6 million in 1979. Income from investments in the financial services sector was $7.9 million compared with $2.6 million in 1979.

The table on page 4 summarizes the contribution made by each sector in relation to the carrying value of the investments. The table also provides a useful comparison of carrying values with quoted market values for publicly traded assets. The net asset value before income taxes and including quoted market values, was approximately $1,400 million at December 31, 1980, as compared with the carrying value of net assets of approximately $900 million.

Natural Resources

In June 1980, Brascan exchanged its interest in Brascan Resources for preferred and common shares of Western Mines, which is now known as Westmin Resources Limited. As a result Brascan now holds approximately 84% of the outstanding common shares of Westmin Resources and that company has become Brascan's natural resources arm. On March 26, 1981 the shareholders of Westmin Resources approved the change of the company's name, a two for one stock split and the creation of additional preferred shares to provide further capital for its ambitious expansion program.

In October 1980, Westmin Resources acquired a 23% interest in Lacana Mining Corporation, a natural resources company with important interests in two precious metal mining complexes in Mexico and a gold mine in Nevada. Lacana also carries on mineral exploration in Latin America, the United States and Canada, and holds interests in petroleum and natural gas properties in western Canada.

A reorganization of Great Lakes Power was completed during the fourth quarter of 1980 with the result that the utility business is now held and financed independently through Great Lakes Power Investments Limited, a non-consolidated associated company.

The investment in Noranda Mines increased substantially in value during the year. This investment continues to provide a valuable natural resources exposure, pending completion of Brascan's other initiatives in this area. Our views with respect to Noranda's 1979 treasury share issue to Zinor, a Noranda affiliate, remain unchanged from those previously expressed. We continue to feel that the Zinor transactions were dilutive, were not in the best interests of Noranda's shareholders and set a most unfortunate precedent for Canadian public corporations.

Consumer Products

During the year Brascan increased its participation in the consumer products sector through the purchase of additional shares of John Labatt. These purchases increased Brascan's interest from 24% to 42%, making John Labatt Brascan's principal investment in this sector.

Since year end, the Company increased its interest in Scott Paper Company to approximately 20.5% after reaching agreement with Scott Paper regarding the purchase of treasury shares. Pursuant to the agreement Brascan will increase its ownership in Scott Paper to 25% through December 31, 1985. The management of Scott Paper has agreed with Brascan that the foregoing percentage limits should be removed if Brascan's position as the largest shareholder should be challenged. The agreement also provides for Brascan to nominate four directors for election to Scott's board of directors. This holding is expected to contribute materially to Brascan's long term future growth in earnings and asset values.

Financial Services

Brascan increased its holdings in this sector through the purchase of additional shares of London Life Insurance Company, taking its direct and indirect ownership from 29% to 39%.

During the year Triarch Corporation Limited reduced its equity base by returning $8.5 million to its shareholders, while increasing the return on equity.

Since year end the Company's commitment to the financial services sector was strengthened by the purchase of approximately 14.6% of the common shares of Royal Trustco Limited, a major presence in this sector in Canada with important operations in the United States and several other countries.

Brascan Brazil

The reorganization of Brascan Brazil was substantially completed during the year with the sale of Banco Brascan for approximately $87 million in Bank of Montreal securities and the sale of Skol-Caracú a company jointly controlled by Brascan and John Labatt, for the cruzeiro equivalent of approximately $52 million. The operations of the real estate and natural resources companies were substantially expanded with the commencement of new condominium projects and the acquisition of Patiño N.V.'s Brazilian tin mining and smelting company for $38 million.

By reducing the total number of investments in Brazil and by concentrating primarily on the real estate and natural resources sectors, we are confident that we are effectively protecting Brascan's Brazilian holdings against the high inflation rates currently prevailing in Brazil while at the same time building a sound basis for growth in the years to come. We are also evaluating opportunities for a third major area of investment in Brazil.

Other Financial Assets

Brascan's financing policies entail the maintenance of substantial liquid assets. This allows the Company to act expeditiously in making additional long term investments, as well as enabling it to assist its subsidiaries and associates financially.

In addition to its major common share investments, Brascan held more than $600 million in cash, short term investments, marketable and other securities and various notes and loans receivable at December 31, 1980.

To increase its liquidity still further Brascan has established lines of credit with its bankers aggregating $700 million of which $647 million was undrawn at December 31, 1980.

As opportunities arise Brascan will seek access to the debt and preferred share equity markets to maintain or supplement the Company's liquid assets. Issuance of common shares is not favoured as this would tend to dilute present asset values as well as the long term growth potential available to existing shareholders.

Board of Directors

It is proposed that shareholders at the forthcoming Annual Meeting provide for the appointments of Dr. Antonio Gallotti and Max Tanenbaum as Honorary Directors since they have reached the mandatory retirement age. As Honorary Directors, the on-going counsel of these two gentlemen will continue to be available to and valued by the Board.

Max Tanenbaum has long been a major shareholder and supporter of Brascan. As a director of the Company since May 1980, he has generously contributed his knowledge and experience to the deliberations of the Board and his counsel and guidance are deeply appreciated.

It is not easy to measure the immense contribution of Dr. Gallotti through forty-eight years of service to Brascan's former and present Brazilian companies, and further, to his country. Dr. Gallotti is held in wide respect not only in Brazil, but internationally. He provided leadership and perseverance in guiding our Brazilian investments, including particularly the electric, telephone, transportation and gas utilities through many difficult years, culminating in the sale of the Brazilian electric utility company in 1979. This Company and its shareholders owe Dr. Gallotti a great debt of gratitude and recognition.

As replacement directors for Dr. Gallotti and Max Tanenbaum, Dr. Roberto Paulo Cezar de Andrade and John Scrymgeour are included on the slate of directors for consideration by shareholders at the Annual Meeting.

Dr. Andrade, who has been with the group in Brazil for thirty years, is a director of Brascan Brazil and its senior Brazilian executive. With his election to the Board he will provide knowledge and experience of Brazilian affairs indispensable to the Company.

John Scrymgeour is Chairman of the Board of Westburne International Industries Ltd., with extensive experience in the oil and gas industry. His appointment to the Board is particularly timely in view of Brascan's ambitions in this area.

Progress and Outlook

It has been a rewarding year for the Board, senior officers and staff who have collectively responded to the challenge of our new corporate philosophy with enthusiasm.

The sound base that is now established will enable us to respond to continuing opportunities that meet our investment criteria. Further investments will be made in 1981 to strengthen and diversify our holdings. We are confident shareholders may look forward to continuing improvement in asset values, earnings and dividends in 1981.

J T Eyton

J. T. Eyton
President and
Chief Executive Officer

March 31, 1981

Business of the Company

Allocation of Resources

Brascan is an investment management company with holdings in the natural resources, consumer products and financial services sectors. The following table provides summary information on Brascan's principal holdings at December 31, 1980 in a form which differs from the Company's consolidated financial statements in that the carrying value of the investments and income shown below in respect of Westmin Resources and Triarch Corporation has been included on the equity method.

millions	Current Value (1)	Carrying Value	1980 Income
Natural Resources—			
Westmin Resources (2)	$ 427.4*	$127.5	$26.6
Great Lakes Power	47.6	47.6	4.7
Noranda Mines	426.8*	293.9	17.8
Consumer Products—			
John Labatt	139.4*	130.6	9.1
Scott Paper	30.8*	30.5	.2
Other	69.1*	62.5	2.7
Financial Services—			
London Life	54.1*	40.3	7.4
Triarch Corporation	2.6	2.6	.5
Brascan Brazil— Natural resources, real estate and consumer and industrial products	61.1	61.1	—
Other Financial Assets— Cash, short term investments, notes and loans receivable and other financial assets	481.5*	457.0	53.8
Liabilities— Long term debt and sundry—net	(344.2)	(344.2)	(36.8)
Shareholders' equity/net income	$1,396.2	$909.4	$86.0

(1) Values shown are the market values (*) at December 31, 1980 in the case of publicly traded securities, before taxes on capital gains, and carrying values in the case of other assets.

(2) Includes preferred shares at their stated value of $75.0 million.

Business Philosophy

Following the sale of its Brazilian electric utility subsidiary in January 1979 and a subsequent change in control, Brascan initiated a program to restructure its corporate organization and investments. Most of this program has now been implemented, including the acquisition by Westmin Resources of Brascan Resources and increases in the Company's equity interests in John Labatt and London Life.

Brascan views Westmin Resources, John Labatt and London Life as its principal Canadian investments in the natural resources, consumer products and financial services areas, respectively, and in appropriate circumstances would make available to these companies future investments initiated by Brascan in their respective businesses and geographical areas of interest. Brascan similarly views Scott Paper as its principal United States consumer products investment.

Brascan has, and intends to maintain, a high degree of liquidity and an organization which is capable of assisting its principal investments to undertake further investments. To this end opportunities are continually being examined with a view to acquiring additional holdings which will provide the desired degree of geographical and business diversification.

Brascan intends to invest in a limited number of publicly traded companies in those areas, initially obtaining investment positions of up to 10% with a view to either increasing its investment over time and for value up to 20% to 30% or disposing of the investment. However, in appropriate circumstances Brascan would consider exceeding that level of investment.

Brascan strongly prefers its principal holdings to remain public companies. This reinforces the autonomy of managements and provides greater financial flexibility. Public companies offer a further advantage in that their managements may be permitted to participate in growing equity values. Brascan believes that managements should seek the major portion of their rewards through stock ownership in those companies in which they are employed, the value of which will over time reflect superior management performance for the benefit of all shareholders.

Brascan also believes that shareholders in public companies should be entitled to representation on boards proportionate to their shareholdings, and accordingly encourages the adoption of cumulative voting procedures for the election of directors.

While Brascan defines itself as an investment management company, Brascan prefers to confine its management involvement in its associated companies to the board level where ordinarily it does not wish or seek a majority. Brascan's policy is to seek a willing consensus on all matters it brings to boards.

Brascan supports the managements of the companies in which it invests by helping them establish goals for financial performance which are consistent with Brascan's overall corporate goals and objectives. Brascan perceives its role as one of contributing ideas at the board level and supporting management. Otherwise Brascan does not intervene in the affairs of its associated companies unless requested or unless performance goals are not being met. These attitudes are based on the premise that the companies in which Brascan invests are expected to be self suf-

ficient. Brascan will however, in appropriate circumstances, provide financial support for major investment initiatives and other related endeavours when justified. In these respects, Brascan differs from most traditional investment companies.

Brascan has informed the investment community that it plans to make substantial investments and has outlined the advantages Brascan can offer. Companies are encouraged to approach Brascan on their own initiative for open discussions. By proceeding in this way Brascan hopes to avoid the traditional acquisition approach which involves substantial premiums and severe management dislocations.

Natural Resources

Westmin Resources represents Brascan's principal investment in the natural resources sector. Brascan is encouraging Westmin to substantially expand its asset and equity base.

Westmin Resources, which is essentially debt-free and has the ability to borrow substantial amounts on its own credit, is positioned to consider acquisitions up to approximately $500 million. To facilitate acquisitions, Brascan has expressed its willingness to accept a reduction in its ownership interest in Westmin Resources to approximately 50%.

The investment in Noranda Mines provides Brascan with a major position in one of North America's premier natural resource companies. In making the investment Brascan sought a hedge against the rapid world wide appreciation of resource assets pending the implementation of its investment program. This investment hedge has been successful in that Brascan had an unrealized profit of more than $125 million on its Noranda position at December 31, 1980, against a cash outlay of approximately $125 million. If a comparable natural resource investment were found, Brascan would consider exchanging the Noranda position for an investment gain exceeding $200 million. However, if in the meantime additional shares of Noranda could be acquired at prices approximating the average price paid for the present position, Brascan would consider adding to the Noranda investment.

Consumer Products

The consumer products area is attractive because it balances the cyclical character of natural resources earnings with the steady earnings and cash flows of consumer products companies.

In the consumer products sector, John Labatt represents Brascan's principal Canadian investment.

Where appropriate, and given John Labatt's concurrence, Brascan would prefer to make new investments in this sector with or through John Labatt. Brascan would financially support John Labatt's own investment initiatives, including the underwriting of any equity based securities offered pro rata to all shareholders. Through such participation or open market purchases Brascan expects to increase its position in John Labatt over time, subject to the commitment to maintain John Labatt as a widely held Canadian public company.

To diversify Brascan's investments in the consumer products area geographically, holdings were acquired in a selected number of world-class United States based companies. These positions served to acquaint Brascan with the companies and provided greater credibility in discussions with managements. A significant investment in this area was achieved through the purchase of a 20.5% common share interest in Scott Paper which may be increased over time and for value to the 25% level in accordance with our understanding with the management of Scott Paper.

Financial Services

The commitment to the financial services sector is likely to employ a relatively small portion of the equity funds available for investment. This is due to the highly leveraged nature of most financial service companies which require the investment of relatively small equity amounts in relation to the assets and activities of these companies.

Brascan views London Life as its principal investment in the financial services sector, and where appropriate would prefer any initiatives in this area to be undertaken in conjunction with London Life and Lonvest, the holding company for London Life.

The investment in Royal Trustco is considered an important strategic investment given the nature of Royal Trustco's financial services operations in Canada and elsewhere.

Brascan Brazil

Although the restructuring of the Brazilian investments has reduced the carrying value of these investments to less than 5% of Brascan's current net asset value, the remaining holdings form an important foundation for future growth. Pending identification of a third major investment area in Brazil to complement the existing investments in natural resources and real estate development, every effort is being made to maintain a major presence in Brazil and to enhance Brascan Brazil's access to cruzeiro denominated credit.

Review of Operations

Westmin Resources Limited: 84%

Natural resource exploration and production company with interests in oil, gas, base and precious metals, coal and uranium properties.

Summarized Financial Information (1)

millions	1980	1979
Balance Sheet		
Assets:		
Current	**$ 42.0**	$ 79.4
Property, plant and equipment—net	**171.2**	129.4
Investments—		
Lacana Mining Corporation	**24.0**	—
Other	**7.6**	7.5
	$244.8	$216.3
Liabilities and Equity:		
Current	**$ 22.6**	$ 37.1
Bank loan	**22.0**	—
Deferred income and mining taxes	**26.9**	9.8
Shareholders' equity—		
Preferred	**100.0**	100.0
Common	**73.3**	69.4
	$244.8	$216.3
Income Statement		
Revenue	**$ 94.7**	$ 80.2
Income and mining taxes	**17.4**	20.0
Net income	**31.9**	28.0
Operating Statistics		
Reserves (Proven gross):		
Crude oil and natural gas liquids		
—thousands M^3	**967**	780
—thousands bbls	**6,082**	4,096
Natural gas		
—millions M^3	**10,265**	9,128
—BCF	**364**	324
Ore		
—thousands tons	**1,092**	1,273
Production:		
Oil —thousands M^3	**110.5**	65.2
—thousands bbls	**695.4**	409.9
Gas —thousands M^3	**433.2**	382.4
—BCF	**15.4**	13.6
Ore milled		
—thousands tons	**306.7**	294.2
Drilling success ratio	**76%**	72%
Cash flow before mineral exploration expense	**$ 60.1**	$ 47.3
Capital expenditures	**49.7**	48.6
Earnings per share(2)	**0.71**	0.60
Dividends per share(2)	**0.10**	0.10

Brascan's Position

Equity interest—		
Common shares	**84%**	51%
Preferred shares	**100%**	100%
Carrying value	**$127.5**	$129.3
Market value	**427.4**	N/A
Contribution to earnings	**26.6**	15.9

(1) The financial information gives retroactive effect to Westmin's acquisition of Brascan Resources as of January 1, 1979 and assumes the payment of preferred share dividends from that date.

(2) After giving effect to the two for one stock split approved on March 26, 1981.

Acquisitions

In June 1980, Westmin Resources acquired all the outstanding shares of Brascan Resources Limited. The transaction was based on independent evaluations of the assets of both companies, and was approved by Westmin Resources' minority shareholders. Westmin Resources issued preferred shares having a stated value of $100 million, and 14,135,859 common shares in exchange for all of the outstanding shares of Brascan Resources. Brascan thus increased its interest in Westmin Resources from 51% to 84%.

In October 1980, Westmin Resources acquired 2,147,809 (23%) common shares of Lacana Mining Corporation at $11.00 per share and an option to purchase an additional one million common shares at $15.50 per share. Lacana is a natural resources company with interests in two precious metal mining complexes in Mexico and a producing gold property in Nevada. Lacana also conducts mineral exploration in Latin America, Canada and the United States and has interests in petroleum and natural gas properties in western Canada.

Westmin Resources has filed a preliminary prospectus to issue convertible preferred shares in Canada. Part of the proceeds of the issue will be used for the acquisition of additional petroleum, natural gas and other resource properties or equity interests in resource companies.

Petroleum Production

Gas sales in 1980 increased 13% over 1979 and oil sales were up 70% over last year. Westmin Resources expects further increases in gas sales when the prebuilt portion of the Alaska gas pipeline becomes operational in 1981. Average daily oil production reached 1,900 bbls per day, more than double the daily rate of two years ago.

Petroleum Exploration

Westmin Resources participated in the drilling of 117 exploration and development wells with a success ratio of 76%. After allowing for production, proven oil reserves at year end were up 24% over the preceding year while proven gas reserves increased by 12%.

Although exploration was concentrated in Alberta with particular emphasis in the heavy oil area in the east central portion of the province, the company's Beaufort Sea and other frontier holdings are also becoming of greater interest.

Westmin Resources acquired a 13% participation in an onshore two million acre concession in the United Arab Emirate country of Abu Dhabi in one of the most oil-prone geological basins in the world. Reconnaissance geophysical surveys are under way with drilling scheduled for mid-1982.

Coal Properties

Westmin Resources is actively involved in the exploration for thermal and metallurgical coal in Western Canada and the United States. Westmin Resources owns the coal, metallic minerals and most industrial mineral rights beneath some 500,000 acres of its mineral title lands in central Alberta and also holds interests in Crown coal leases in the three Western provinces. Drilling has established for Westmin Resources' account proven, probable and possible reserves of 357 million tons of thermal coal recoverable by current mining methods.

Approximately 40,000 acres of coal rights under mineral title lands are located about 40 miles west of Edmonton near the Wabamun, Sundance and Keephills power generating stations. Westmin Resources is not the operator of any coal mines, but obtains revenues from leases of certain of its South Wabamun coal lands to a power utility company. Negotiations are in progress for additional leases which should increase Westmin Resources revenues from this source.

Mining Production

Mining operations at Buttle Lake, Vancouver Island continued on a satisfactory basis in 1980. While precious metal prices generally declined during the year, forward selling of silver and gold early in 1980 helped maintain revenues at the record 1979 levels.

During the past two years, two new orebodies were discovered on the Vancouver Island property which will extend the life of the mine until the end of the century at current production rates. Development work is in progress with production scheduled to begin from the first deposit in 1982 and from the second in 1983. Studies to determine the feasibility of expanding milling capacity are also underway.

Mining Exploration

Westmin Resources continued mineral exploration in most provinces of Canada and in the Yukon and Northwest Territories. Exploration expenditures in 1980 totalled $4.0 million and joint venture associates contributed an additional $2.1 million. Exploration is directed toward base and precious metals, uranium, and to a lesser extent ferro-alloy metals.

Brascan's consolidated financial statements include the assets, liabilities and its share of the earnings of Westmin Resources.

Review of Operations

Great Lakes Power Group: 100% (49% voting)

Generation and distribution of hydro-electric power in the Sault Ste. Marie area of Northern Ontario and investment holding company.

Summarized Financial Information

millions	1980	1979
Balance Sheet		
Assets:		
Current	**$ 25.6**	$ 7.3
Investments	**25.0**	—
Utility plant—net	**180.8**	51.4
	$231.4	$ 58.7
Liabilities and Equity:		
Current	**$ 14.1**	$ 6.8
Due to Brascan	**54.9**	—
Deferred taxes	**6.0**	6.2
Shareholders' equity—		
Preferred	**44.2**	—
Common	**112.2**	45.7
	$231.4	$ 58.7
Income Statement		
Revenue—Utility	**$ 41.1**	$ 37.7
Income taxes	**5.8**	5.4
Net income	**5.1**	4.8
Operating Statistics—Utility		
Power (KWH millions)		
Generated	**1,189**	1,241
Sold	**2,031**	2,046
Cash flow from operations	**$ 14.6**	$ 13.6
Capital expenditures	**26.4**	10.1
Brascan's Position		
Equity interest (voting 49%)	**100%**	99%
Carrying value	**$ 47.6**	$ 60.1
Contribution to earnings	**4.7**	4.4

Reorganization

Great Lakes Power Investments Limited, a company formed for the purpose of facilitating the financing of the St. Mary's Redevelopment Project, acquired the utility operations of Great Lakes Power Corporation for common shares with an issued value of $112 million. In addition, in December 1980 $25.0 million of non-voting preferred shares were issued in exchange for $25.0 million of preferred shares of Westmin Resources Limited and $19.2 million of voting preferred shares (carrying 51% of the votes at shareholders meetings) were issued to institutional investors.

Utility Operations

The utility operations are carried on by Great Lakes Power Limited a wholly owned subsidiary of Great Lakes Power Investments Limited.

Utility operating revenues for 1980 increased 8.7% over 1979 to $41.1 million. Average revenue per kilowatt-hour sold increased by 9.7%. Energy sales were 2,031 million kilowatt-hours down slightly from 1979. A strike at the Abitibi-Price plant and weak steel markets in the spring and summer affecting Algoma Steel and Union Carbide reduced their demand for power. Purchased power for 1980 was 4.4% greater than in 1979, and associated costs were 10.2% higher. Great Lakes Power generation accounted for 55.3% of its total power requirements.

In 1980 capital expenditures were $26.4 million, of which $23.3 million was spent on the St. Mary's Redevelopment Project. The financing arranged for this $110 million project will be without recourse to Brascan upon completion of the project. The new power station which will replace the existing 21-megawatt station built in 1918 will use Canada's full quota of water from the St. Mary's River. Construction is on schedule with plant completion forecast for the autumn of 1982.

Brascan accounts for its investment in the Great Lakes Power Group on the equity method.

Noranda Mines Limited: 14%

Natural resource exploration and production company with interests in mining, manufacturing, forest products and oil and gas.

Summarized Financial Information

millions	1980	1979
Balance Sheet		
Assets:		
Current	$1,609.5	$1,488.8
Property, plant and equipment—net	1,536.9	1,236.0
Investments	529.4	406.1
Other assets	262.4	189.3
	$3,938.2	$3,320.2
Liabilities and Equity:		
Current	$ 788.0	$ 801.4
Long-term debt	580.5	602.5
Deferred taxes and other	369.7	259.1
Minority interest	199.0	194.0
Shareholders' equity	2,001.0	1,463.2
	$3,938.2	$3,320.2
Income Statement		
Revenue	$2,889.3	$2,484.7
Income and mining taxes	242.2	227.0
Net income	408.4	394.5
Operating Statistics		
Cash flow from operations	$ 617.3	$ 605.9
Capital expenditures	380.7	319.4
Earnings per share	4.06	4.70
Dividends per share	1.25	0.85
Brascan's Position		
Equity interest	14%	14%
Carrying value	$ 293.9	$ 293.9
Market value	426.8	318.4
Contribution to earnings	17.8	3.6

Noranda reported 1980 earnings of $408.4 million compared with $394.5 million in 1979. Earnings per share of $4.06 were less than the $4.70 earned the previous year due to the dilution caused by the substantial increase in the number of shares issued as a result of the Zinor and MacLaren transactions in 1979 and 1980 respectively.

Noranda and its associated companies are engaged in three major areas of business: mining and metallurgy; manufacturing; and forest products. They are major producers of copper, molybdenum, gold, silver and lead and are the world's largest mine producers of zinc. Noranda smelts and refines much of its own mine production.

Manufacturing operations in Canada primarily consist of processing metals produced by Noranda into wire, cable, sheet, tube and other products for use by industry; and in the United States manufacturing operations primarily consist of aluminum production, fabrication of aluminum building products and producing aluminum sheet and foil products.

Noranda and its associated companies are among the largest producers of forest products in Canada, producing lumber, plywood, waferboard, pulp and paper. Noranda is also engaged in oil and natural gas exploration and production in western Canada and the Arctic.

Mining and metallurgical earnings were lower than those of 1979 in total, and considerably less on a per share basis. Product prices, while mixed, on balance were somewhat above 1979 levels, but not nearly enough to offset the impact of inflation. Prices were generally highest near the start of the year, declining erratically thereafter, which required substantial write-downs in the carrying value of inventories. A profit of $0.46 per share was recorded on the sale of the Koongarra uranium property in Australia, but strikes and equipment problems reduced earnings by $0.22 per share.

Manufacturing earnings improved, reflecting strong performances by the aluminum and wire and cable operations. Very weak demand for wood products depressed earnings from forest products operations, particularly those in western Canada; however, aggregate earnings increased due to inclusion of the results of MacLaren Power & Paper from February 1.

In November 1980, Noranda announced an increase in its quarterly dividend to $0.35 per share.

Income on the investment in Noranda is recognized by Brascan when dividends are received.

Review of Operations

John Labatt Limited: 41.7%

A broadly based food and beverage company with interests in brewing, wines, consumer foods, food services and secondary agricultural processing.

Summarized Financial Information

millions	Oct. 31 **1980**	Apr. 30 1980
Balance Sheet		
Assets:		
Current	**$333.1**	$ 313.4
Fixed assets—net	**265.7**	268.9
Investments	**24.2**	21.5
Other assets	**63.8**	68.3
	$686.8	$ 672.1
Liabilities and Equity:		
Current	**$183.1**	$ 178.3
Long-term debt	**181.9**	187.0
Deferred income taxes	**53.2**	51.9
Minority interest	**1.2**	1.2
Shareholders' equity	**267.4**	253.7
	$686.8	$ 672.1

	6 months ended Oct. 31 **1980**	Year ended Apr. 30 1980
Income Statement		
Revenue	**$755.7**	$1,341.8
Income taxes	**13.5**	25.9
Net income	**20.2**	36.2
Operating Statistics		
Cash flow from operations	**$ 38.1**	$ 67.5
Capital expenditures	**19.9**	57.5
Earnings per share	**1.58**	2.89
Dividends per share	**0.64**	1.23

Brascan's Position

	Dec. 31 **1980**	Dec. 31 1979
Equity interest	**41.7%**	24%
Carrying value	**$130.6**	$ 68.4
Market value	**139.4**	66.7
Contribution to earnings	**9.1**	6.2

For the six months ended October 31, 1980 gross sales increased 11% to $755.7 million from $680.8 million in 1979. Earnings for the period before an extraordinary item were $22.2 million compared with $23.6 million last year. Earnings were reduced primarily because of industry wide brewing work stoppages in Alberta and British Columbia which began during July 1980 and which have since been settled.

Labatt's share of the Canadian beer market on average for the year was slightly down from 1979 due to problems in the Quebec and British Columbia markets. However, more recent market share trends are positive. Labatt's export sales to the United States produced improved volumes and earnings for the year, despite an increasingly tight competitive environment.

The Consumer Products Group earnings were basically the same in 1980, reflecting mixed performance within the group. Strong earnings improvements were achieved by Laura Secord, Catelli, and Chef Francisco. Results from the wines and food services divisions, however, were disappointing.

The Agri Products Group earnings were very good. Contributions from all three major operations—Ogilvie flour division, Ault industrial milk processing operation and the starch and gluten operation—increased substantially, reflecting volume growth, improved margins and in the case of Ault, added business from acquisitions.

John Labatt is achieving internal growth by expanding the operation and earnings base of its current businesses. Substantial investments have also been made in new opportunities, such as the Zymaize liquid sugar joint venture and a mushroom plant near Montreal now in a start-up phase. The Zymaize corn wet milling plant being constructed in London, Ontario, is scheduled for opening in mid-summer 1981.

Brascan accounts for its investment in John Labatt on the equity method.

Scott Paper Company: 20.5%

An international manufacturer of paper and forest products utilizing the company's own substantial timber holdings.

Summarized Financial Information

millions	1980	1979
	U.S.$	
Balance Sheet		
Assets:		
Current	$ 463.9	$ 434.1
Fixed assets—net	1,240.3	1,116.2
Investments	295.2	264.2
Other	14.6	15.1
	$2,014.0	$1,829.6
Liabilities and Equity:		
Current	$ 320.7	$ 288.1
Long-term debt	474.8	422.3
Deferred income taxes	97.4	92.8
Shareholders' equity	1,121.1	1,026.4
	$2,014.0	$1,829.6
Income Statement		
Revenue	$2,083.2	$1,908.1
Income taxes	48.3	45.6
Net Income	133.5	137.1
Operating Statistics		
Cash flow from operations	$ 240.2	$ 224.6
Capital expenditures	235.1	165.0
Earnings per share	3.43	3.52
Dividends per share	1.00	.90

Brascan's Position

	Mar. 31 1981	Dec. 31 1980
Equity interest	20.5%	3.1%
Carrying value	Can.$279.8	Can.$30.5
Market value	222.3	30.8

During the latter part of 1980 and the early part of 1981, Brascan purchased 5,079,800 shares of Scott Paper Company representing an approximate 13% equity interest. Under an agreement with Scott Paper in March 1981, Brascan has agreed to purchase an additional 3,650,000 common shares which will increase its ownership to approximately 20.5%. Under the terms of this agreement Brascan may increase its ownership to 25% through December 31, 1985.

Scott Paper is the world's largest sanitary tissue producer. The company's domestic business is divided into two principal divisions: the packaged products division, consisting of a wide range of trademarked sanitary tissue products, and the S. D. Warren Division, consisting of printing, publishing, converting and specialty paper. Smaller divisions are involved in furniture and lighting fixtures, polyurethane foam and oil and gas production.

In addition to the United States, Scott Paper operates in 18 other countries which together contributed almost one third of total net income in 1980. Since 1970 Scott Paper's international earnings have grown at a compound annual rate of 22%. The markets for sanitary paper products in other parts of the world are growing more rapidly than in the United States and the company's overseas capacity is being continually increased. In Canada Scott Paper has a 52.2% interest in Scott Paper Limited and indirectly owns about 13% of British Columbia Forest Products Limited.

Scott Paper's capital expenditures reached U.S.$252 million in 1980. These record expenditures are the beginning of an aggressive strategy aimed at significantly improving profitability. This program contemplates capital expenditures of about U.S.$2 billion over the next five years, more than double the amount spent during the preceding five years. The essence of this strategy is to improve costs and become the low cost producer in those segments where Scott Paper has unique competitive advantages. This strategy holds the promise of greatly improved margins and higher returns on investment.

Scott Paper's timber holdings are substantial. In the U.S. and Canada the company directly controls over three million acres of timberlands of which over 2.8 million acres are owned. Harvest from these lands is equivalent to nearly half of the company's raw material requirements for pulp manufacture and the estimated annual growth of the timber, in the aggregate, exceeds the annual harvest. This timber is located in the states of Washington and Maine and in the southern United States and the province of Nova Scotia.

Brascan plans to account for its interest in Scott Paper on the equity method.

Review of Operations

Other Consumer Products Holdings

Brascan's minority positions in various other consumer products companies have provided protection against a general increase in market values in this sector and afforded the Company with opportunities and exposures it otherwise would not have had. Brascan's holdings in this sector at December 31, 1980 were as follows:

millions	Cost	%
Consumers Glass Company	$11.2	15.7
The Quaker Oats Company	31.6	4.9
Others	19.7	—
	$62.5	

Income on these investments is recognized when dividends are received.

Consumers Glass Company Limited

During the year Brascan increased its holdings in Consumers Glass from 10% to 16% of the outstanding shares. Consumers Glass is engaged in the manufacture and sale of glass and plastic packaging, containers, closures and filling equipment for the food, beverage, drug and chemical industries. It owns and operates two plastic packaging subsidiaries in the United States and has a 45% interest in Glass Containers Limited, an Australian glass container manufacturing company. Consumers Glass reported sales, earnings and paid dividends for the past two years as follows:

millions	**1980**	1979
Revenue	**$195.0**	$178.0
Net income	**7.0**	10.4
Earnings per share	**1.37**	2.03
Dividends per share	**1.00**	0.90

The Quaker Oats Company

In 1980 Brascan purchased 961,700 shares of The Quaker Oats Company for approximately $31.6 million representing a 4.9% equity interest. Quaker is an international manufacturer and marketer of consumer products and services. Quaker's business is divided into five segments: United States grocery products, international grocery products, international foods and restaurants, toys and crafts and chemicals.

Quaker reported earnings and paid dividends for the past two years as follows:

	June 30	
millions	**1980**	1979
	U.S.$	
Revenue	**$2,405.2**	$1,966.3
Net income	**96.4**	84.5
Earnings per share	**4.55**	4.01
Dividends per share	**1.40**	1.20

London Life Insurance Company: 39%

Canadian life insurance and financial services company providing insurance and other benefit services.

Summarized Financial Information

millions	1980	1979
Balance Sheet		
Assets:		
Bonds and debentures	$ 801.8	$ 773.6
Stocks	147.7	128.2
Mortgages	2,329.8	2,158.5
Policy loans	275.3	233.4
Other assets	305.5	219.4
	$3,860.1	$3,513.1
Liabilities and Equity:		
Policy reserves	$2,343.8	$2,172.0
Other obligations to policyowners	607.0	530.3
Other liabilities	478.4	429.2
Shareholders' equity and reserves	430.9	381.6
	$3,860.1	$3,513.1
Income Statement		
Premiums	$ 568.4	$ 505.0
Investment income	323.9	295.0
	892.3	800.0
Policy benefits	363.3	303.2
Additions to reserves	196.9	206.4
Operating expenses	143.1	137.4
Policyholder dividends	116.7	91.9
Income and premium taxes	19.0	26.3
	53.3	34.8
Less attributable to policyholders	30.1	22.5
Net income attributable to shareholders	$ 23.2	$ 12.3
Operating Statistics		
Life insurance in force:	$33,383	$30,202
Individual	21,597	19,828
Group	11,786	10,374
Increase	3,181	2,798
Return on investments	9.11%	8.84%
Earnings per share	$ 46.43	$ 24.66
Dividends per share	8.00	4.75
Brascan's Position		
Equity interest	39%	29%
Carrying value	$ 40.3	$ 20.6
Market value	54.1	24.9
Contribution to earnings	7.4	2.1

Earnings per share rose by 88.3% to $46.43 in 1980 from $24.66 in 1979. During 1980 the company experienced growth in premium income, higher investment yields, and satisfactory operating expense control. The results also reflect reduced income taxes. Net yield on investments was 9.11% in 1980 compared with 8.84% in 1979.

In 1980 premium and investment income increased by 12%. Amounts provided for policyowners and beneficiaries, together with operating expenses, increased by 8.7%. All lines of business produced improved net income. Performance of the group health insurance business was notable, generating $3.9 million of net income after several years of losses.

New sales of life insurance increased by approximately 9.7% to $4.2 billion during 1980. At year end, total business in force exceeded $33.3 billion of individual and group protection. London Life's $21.6 billion portfolio of individual insurance policies is the largest of any company in Canada.

Marketing activity was emphasized and the sales force was increased. New, price competitive products and reduced term insurance rates generated a significant increase in sales of non-participating insurance. London Life's competitive pricing policy resulted in improved single premium annuity sales during 1980.

Coincident with the higher interest rates was an increase in policy loans and surrenders in the early part of the year. However, loans and surrenders were at more normal levels during the second half of 1980 and liquidity improved significantly.

Participating policyowners received dividends totalling $117 million, the highest amount ever paid in a single year. London Life pays more dividends to Canadian policyholders than any other life insurance company. London Life is also the largest residential mortgage lender among Canadian insurance companies.

Brascan accounts for its investment in London Life on the equity method based on earnings as reported by London Life.

Review of Operations

Royal Trustco Limited: 14.6%

Trust company and other financial services in Canada, the U.S. and overseas.

Summarized Financial Information

millions	1980	1979
Balance Sheet		
Assets:		
Short term investments	**$1,281.5**	$ 833.0
Securities	**1,249.4**	844.2
Mortgages	**5,055.6**	4,806.0
Other loans and receivables	**564.5**	467.7
Other assets	**122.8**	113.1
	$8,273.8	$7,064.0
Liabilities and Equity:		
Deposits and borrowings	**$7,824.0**	$6,707.2
Other liabilities	**43.5**	36.0
Deferred income taxes	**75.8**	68.1
Minority interest	**6.0**	5.6
Shareholders' equity	**324.5**	247.1
	$8,273.8	$7,064.0
Income Statement		
Revenue	**$1,137.6**	$ 894.3
Income taxes	**15.4**	14.0
Net income	**37.5**	29.0
Operating Statistics		
Assets under administration	**$ 31,292**	$ 25,802
Earnings per share	**1.91**	1.70
Dividends per share	**0.97**	0.92

Brascan's Position

	Mar. 31 **1981**	Dec. 31 1980
Equity interest	**14.6%**	—
Carrying value	**$ 64.2**	—
Market value	**57.4**	—

Royal Trust is Canada's largest trust company. The major activities of Royal Trustco in Canada include trust, financial intermediary, real estate, and computer service operations.

Total assets under Royal Trustco administration at the end of 1980 were $31.3 billion, an increase of 21% over the position at the end of 1979. These assets were administered through 297 offices in Canada. In Florida, Royal Trust Bank Corp. of Miami has seven banks with 19 branches.

Income on the investment in Royal Trustco will be accounted for by Brascan on the basis of dividends received. The current annual dividend rate is $1.12 per share.

Triarch Corporation Limited: 51%

Merchant banking, term lending and other financial services.

Summarized Financial Information

millions	1980	1979
Balance Sheet		
Assets:		
Current	**$ 2.0**	$20.0
Term loans	**9.0**	9.9
Other assets	**1.6**	2.0
	$12.6	$31.9
Liabilities and Equity:		
Current	**$ .3**	$ .8
Term debt	**7.3**	17.4
Shareholders' equity	**5.0**	13.7
	$12.6	$31.9
Income Statement		
Revenue	**$ 3.4**	$ 3.0
Net income	**.6**	.9
Brascan's Position		
Equity interest	**51%**	63%
Carrying value	**$ 2.6**	$ 8.2
Contribution to earnings	**.5**	.5

During the year Triarch redeemed common shares reducing its equity base from $13.5 million to $5 million and sold its 80% interest in Elliott & Page Limited at a profit. This helped to increase the return on equity to 13%, a substantial improvement over previous years.

In 1980 Triarch emphasized the agency portion of its merchant banking operations and increased revenue from agency activities substantially. Private placements and long term debt issues arranged by Triarch rose from $50 million in 1979 to $180 million in 1980.

Canadian Venture Capital Corporation, the venture capital fund, managed and 20% owned by Triarch, expanded its portfolio with the acquisition of control positions in an automotive parts manufacturer and an aerospace components processor.

Brascan's consolidated financial statements include the assets, liabilities and its share of the earnings of Triarch.

Brascan Brazil's major investments are in natural resources and real estate development. Other investment opportunities are being examined so that a third area of investment can be established to complement the two existing principal holdings.

Brascan Brazil's net equity by area of investment was as follows at December 31, 1980:

millions	1980	1979
Natural resources	$ 55.8	$ 18.9
Real estate development	62.5	33.6
Consumer and industrial products	26.5	55.1
Financial services (sold in 1980)	—	30.1
Other assets	37.0	74.1
	$181.8	$211.8

Represents cruzeiro book balances, determined in accordance with Brazilian accounting practices, translated at the exchange rates on December 31 of each year

Brascan accounts for income on its investment in Brascan Brazil when dividends are received in dollars; no such dividends were received in 1980. Brascan Brazil recorded a modest profit in 1980 compared with a substantial loss in 1979.

Natural Resources

In October 1980, Brascan purchased Patiño's 96.2% interest in Companhia Estanifera do Brasil (CESBRA) for $38.2 million. CESBRA's principal activity is tin mining, smelting and processing and marketing of tin products such as solder and tin oxide. The Jacundá mining activities of the Brascan mineral sector and CESBRA have been merged into one unit, Brascan Recursos Naturais (BRN).

In 1980 the combined companies mined 30% of Brazil's total tin production and handled 43% of the country's tin smelter output. BRN operates 10 mining units, plans to bring a promising hard rock deposit into production in 1982 and is pursuing other large scale mining methods at two other locations.

Exploration activities during 1980 substantially increased the known reserves of tin. The infrastructure of roads, houses, buildings and services to support the orderly development of the mines is being rationalized as a cost benefit of the merger.

Diamond projects include the Santana property in Mato Grosso do Norte and a joint venture interest in Dragagem Fluvial which mines diamonds and gold in the Jequitinhonha River in Minas Gerais, and is planning to develop an additional reserve in the area.

Embrasca, the tree plantation joint venture with MacMillan Bloedel Limited of Canada, is continuing to make progress. The 33,000 hectare pine forest started to generate revenue with the operation of a pine sawmill and a small hardwood sawmill. The hardwood sawmill is in the process of being replaced with a larger more efficient mill.

Real Estate Development

Through December 1980, BISA, the real estate development company, initiated three projects in Rio de Janeiro containing approximately 975 condominium residential apartments and 40,000 square meters of commercial office and retail space. Delivery of apartments to owners in BISA's first project began in December 1980 at which time 89% of the total units in all projects had been sold. Completion of the other projects will take place over the coming years.

A land bank has been assembled for future developments in Rio de Janeiro and São Paulo and in 1980 BISA opened an office São Paulo. More projects are planned, which, together with projects underway, should result in significant earnings from this sector. In addition to the development of properties for sale, Brascan Brazil owns a 60% interest in the 500-room Intercontinental-Rio Hotel which had record earnings in 1980.

Consumer and Industrial Products

FNV, a metal fabricator and manufacturer of heavy equipment, had a difficult year. A 65% drop in sales of railroad cars, due to sharp cuts in government spending, and price controls on automotive parts during the second half of the year offset the record sales of truck chassis and trailers and the 80% increase in exports of foundry railroad equipment. Brascan Brazil has a 24% equity interest in this company.

Swift-Armour, a cattle farming, meat processing and consumer products company, increased industrial sales significantly. Beef exports were up 41%, but depressed world market prices severely cut export margins. The future of this investment, which is 42% owned by Brascan Brazil, is currently under review with our partner.

Management's Responsibility

Financial Statements

To the Shareholders:

The attached financial statements have been prepared by the management of the Company which is responsible for the integrity and objectivity. To fulfil this responsibility, the Company maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. The statements have been prepared utilizing the accounting principles, summarized in Note 1 (page 20) which we believe to be appropriate for the operations of the Company.

Clarkson Gordon, the auditors appointed by the shareholders have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors, is set forth below.

The statements have been further examined by the Board of Directors and its Audit Committee whose members are indicated on page 28. This Committee meets regularly with the auditors and management to review the activities of each and it reports to the Board of Directors. The auditors have full access to the Audit Committee.

W. R. Miller
Senior Vice-President
and Chief Financial Officer

Auditors' Report

To the Shareholders:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1980 and the statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in currency of reporting described in note 2, on a basis consistent with that of the preceding year restated as explained in note 13.

Toronto, Canada
February 23, 1981

Clarkson Gordon
Chartered Accountants

Statement of Consolidated Income

Years ended December 31

millions	1980	1979
		(note 13)
Income by segment before unallocated expenses:		
Natural resources	**$71.0**	$50.4
Consumer products	**12.0**	6.6
Financial services	**7.9**	2.6
Investment income	**61.0**	61.3
	151.9	120.9
Unallocated expenses:		
Interest on debt	**41.3**	20.3
Foreign exchange (gains) losses	**(1.4)**	8.9
General corporate expenses (note 14)	**5.7**	16.2
Income and mining taxes—		
Current	**4.9**	16.9
Deferred	**19.0**	15.9
Minority interest	**5.1**	6.3
	74.6	84.5
Income before extraordinary item	**77.3**	36.4
Extraordinary item:		
Recovery of income taxes (note 11)	**8.7**	17.2
Net income for year	**$86.0**	$53.6
Earnings per share (after preferred dividends):		
Income before extraordinary item	**$2.84**	$1.28
Extraordinary item	**.33**	.66
Net income for year	**$3.17**	$1.94

(See accompanying notes)

Statement of Changes in Consolidated Financial Position

Years ended December 31

millions	1980	1979
		(note 13)
Funds provided:		
Operations before extraordinary items	$ 86.8	$ 64.0
Extraordinary item—income tax recoveries	8.7	17.2
Reduction in investment in—		
Brascan Brazil—net (note 6)	50.5	
Great Lakes Power Corporation Limited—Utilities Division (note 5)	42.2	
Long-term borrowings	22.0	168.8
Reduction in debentures, loans and notes	13.5	13.5
	223.7	263.5
Funds used:		
Expenditures on property, plant and equipment	50.3	48.6
Dividends	39.7	36.7
Corporate investments	134.6	297.4
Reduction in long-term debt	6.0	17.7
Miscellaneous	1.0	7.5
	231.6	407.9
Decrease in net current assets	7.9	144.4
Net current assets, beginning of year	396.6	541.0
Net current assets, end of year	$388.7	$396.6

Statement of Consolidated Retained Earnings

Years ended December 31

millions	1980	1979
Balance, beginning of year	$644.9	$628.0
Net income for year	86.0	53.6
	730.9	681.6
Dividends declared (note 10):		
Preferred	3.0	3.0
Ordinary	36.7	33.7
	39.7	36.7
Balance, end of year	$691.2	$644.9

(See accompanying notes)

Consolidated Balance Sheet

December 31

millions	1980	1979
		(note 13)
Assets		
Current:		
Cash and short-term investments	$ 214.3	$ 413.0
Marketable securities, at cost (note 5)	194.6	5.1
Accounts receivable (note 5)	98.2	59.1
Mineral and other inventories	8.9	11.3
	516.0	488.5
Investments:		
Corporate investments (note 5)	578.8	444.4
Debentures, loans and notes (note 4)	127.4	132.5
Brascan Brazil (note 6)	61.1	95.8
	767.3	672.7
Property, plant and equipment—net (note 7):	171.8	129.9
	$1,455.1	$1,291.1
Liabilities and Shareholders' Equity		
Current:		
Bank indebtedness	$ 62.7	$ 17.8
Accounts payable and accrued charges	32.6	34.4
Dividends and interest due and accrued	18.6	20.7
Current portion of long-term debt (note 8)	8.5	9.1
Income and other taxes payable	4.9	9.9
	127.3	91.9
Other:		
Long-term debt (note 8)	320.3	307.5
Minority interest	48.3	22.4
Deferred income taxes	49.8	13.6
	418.4	343.5
Shareholders' equity (note 9):	909.4	855.7
	$1,455.1	$1,291.1

(See accompanying notes)

On behalf of the Board:

J. T. Eyton
Director

J. L. Cockwell
Director

Notes to Consolidated Financial Statements

1 Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. These principles have been consistently applied, after giving retroactive effect to the change in reporting currency referred to in note 2, and conform in all material respects with International Accounting Standards relating to the presentation of historic cost financial information. Reasonable limits of materiality have been applied within the framework of the accounting policies summarized below.

Currency of Reporting

As explained in note 2, in 1980 the Company adopted the Canadian dollar as the reporting currency in its financial statements.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and all companies outside Brazil over which it has voting control. The principal operating subsidiaries consolidated are:

% Owned	1980	1979
Brascan Resources Limited (note 3)	–	99%
Westmin Resources Limited (note 3)	84%	51
Triarch Corporation Limited	51	63

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the lower of cost and estimated fair values at the date of acquisition.

Non-consolidated Subsidiaries

The investment in Brascan Brazil in the accompanying consolidated balance sheet represents the investments in those companies a substantial portion of whose capital is registerable under Brazilian foreign investment legislation.

The investment in subsidiaries whose capital is not registered under Brazilian foreign investment legislation, together with income therefrom, is not reflected in the accompanying financial statements and will be recorded in the accounts only when converted into dollars.

For further details of the accounting for the investment in Brascan Brazil, see note 6.

Corporate Investments

Investments in which significant influence exists and investments in corporate joint ventures are carried on the equity method. The principal investments accounted for by this method are:

% Owned	1980	1979
John Labatt Limited	42%(38%)*	24%(21%)*
London Life Insurance Company	39	29
Great Lakes Power Investments Limited (note 5)	49	–
Great Lakes Power Corporation Limited—Utilities Division (note 5)	–	99
Lacana Mining Corporation	23 (19%)*	–

*On a fully diluted basis.

The 14% (1979—14%) interest in Noranda Mines Limited is carried at cost. Other investments are carried at cost less amounts written off.

Currency Translation

Assets, liabilities, revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars substantially as follows:

Monetary assets and monetary liabilities at the rates of exchange prevailing at the balance sheet date;

Other assets (including inventories) and liabilities at rates prevailing when they were acquired or incurred;

Revenues and expenses at average rates for the period except for depreciation, depletion, and amortization provisions, which are at the rates used for translation of the related assets.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Income and Mining Taxes

These taxes are accounted for on the tax allocation basis.

Natural Resources

Petroleum

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized in cost centres (see note 7) and charged against income as depletion based on production, or written off to income if exploration activities prove unsuccessful and the cost centre is abandoned. The cost of petroleum plant and equipment is depreciated based on production.

Mining and mineral exploration

Mineral exploration costs pertaining to individual mineral prospects (excluding hydrocarbons) are charged to income as incurred

until an economic orebody is defined. Until commercial production begins, coal properties are carried at cost, less any amounts written off in recognition of a permanent decline in value.

The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on production.

Mineral concentrate inventories are carried at estimated realizable value.

Electric utility operations of Great Lakes Power Investments Limited

Income is recorded on the equity method and is based on the following policies.

Revenue is recognized when billed and earned. Electric rates are established annually based on forecasts of costs, sales volume and return on the rate base (principally net depreciated plant plus an allowance for working capital). These estimates are filed with the regulatory authority, as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority.

Depreciation is provided on the cost of depreciable electric utility plant at an annual rate of 2½% on a straight-line basis. Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation. An allowance for funds used in construction is charged to construction work in progress and credited to income at the rate of return applicable to the rate base.

Financial Services

Life insurance operations

The accounting policies of London Life Insurance Company are as prescribed or permitted by the Department of Insurance of Canada. The main difference from principles applicable to commercial and industrial organizations are as follows:

Income or loss from disposals of bonds and debentures is treated as an adjustment to the portfolio yield and amortized over the lesser of the remaining term of the security and 20 years.

Realized and unrealized gains and losses on stocks are deferred and amortized to income on the basis of a legislated formula.

Income is recorded on the equity method and is based on earnings as reported by London Life Insurance Company.

2 Change in Reporting Currency

In 1980 the Company adopted the Canadian dollar as the reporting currency in its financial statements. In prior years financial statements were presented in United States dollars. This change in accounting has been applied retroactively to the consolidated financial statements for 1979.

3 Investment in Westmin Resources Limited

On June 4, 1980, the minority shareholders of Westmin Resources Limited approved the acquisition of all of the shares of Brascan Resources Limited in exchange for preferred shares with a par value of $100 million (see note 5) and common shares of Westmin Resources Limited. As a result, the Company increased its common share interest in Westmin Resources Limited from 51% to 84%.

4 Debentures, Loans and Notes

millions	1980	1979
Amounts denominated in United States dollars:		
Light-Serviços de Eletricidade S.A. (Light), 8% debentures and 8¼% loan	$ 74.5	$ 79.8
Brazilian government-guaranteed notes	39.5	43.4
Other	26.0	22.1
	140.0	145.3
Less amounts due within one year (included in accounts receivable)	(12.6)	(12.8)
	$127.4	$132.5

The amounts due from Light and the Brazilian government-guaranteed notes are fully registered in respect of principal and interest under the Brazilian foreign exchange control regulations for payment in U.S. dollars. The amounts due from Light are repayable in annual instalments, currently U.S.$6.0 million. The Brazilian government-guaranteed notes bear interest at 6% per annum and are repayable in instalments of principal and interest of U.S.$7.4 million per annum. The Company is obligated to reinvest in Brazil U.S.$24.8 (Can.$29.6) of the principal amount to be received on the notes.

Notes to Consolidated Financial Statements

5 Investments

The Company's equity investments have been classified on the balance sheet as either marketable securities or corporate investments. Marketable securities represent those investments as to which no long-term holding decision has yet been made.

	1980		1979	
millions	Carrying Value	Quoted Market Value*	Carrying Value	Quoted Market Value*
Marketable securities				
Consumer products—				
Consumers Glass Company Limited	**$ 11.2**	**$ 14.6**	$ 5.1	$ 8.2
The Quaker Oats Company	**31.6**	**35.0**	—	—
Scott Paper Company	**30.5**	**30.8**	—	—
Other	**19.7**	**19.5**	—	—
	93.0	**99.9**	5.1	8.2
Other marketable securities	**101.6**	**126.2**	—	—
	$194.6	**$226.1**	$ 5.1	$ 8.2
Corporate investments				
Natural resources—				
Noranda Mines Limited	**$293.9**	**$426.8**	$293.9	$318.4
Great Lakes Power Investments Limited**	**47.6**		—	
Great Lakes Power Corporation Limited —Utilities Division**	**—**		60.1	
Lacana Mining Corporation**	**24.0**	**26.0**	—	—
	365.5		354.0	
Consumer products—				
John Labatt Limited**	**130.6**	**139.4**	68.4	66.7
Financial services—				
London Life Insurance Company**	**40.3**	**54.1**	20.6	24.9
Other	**42.4**		1.4	
	$578.8		$444.4	

*Owing to the size of certain of the holdings, market quotations do not necessarily represent the amounts, net of related income taxes, which might be realized on sale

**Carried on the equity method

In 1980 Great Lakes Power Corporation, now a wholly-owned subsidiary of the Company, transferred its electric utility division to Great Lakes Power Limited (Power) in exchange for common shares of Power. These shares were then exchanged for all of the common shares of Great Lakes Power Investments Limited (GLI). In addition, $25 million of preferred shares of Westmin Resources Limited (note 3) were exchanged for $25 million of non-voting preferred shares of GLI. Subsequently, in 1980, GLI issued to third parties preferred shares carrying 51% of the votes at shareholders' meetings.

As a result of these transactions, the Company no longer has voting control over GLI and its wholly-owned subsidiary, Power, and accordingly carries its investment therein on the equity method. The voting preferred shares are redeemable at the option of the issuer after January 1, 1984 or earlier in certain circumstances.

GLI and Power have arranged term financing of $152 million with a limited guarantee by the Company (see note 12). Of this financing, $54.9 million will be used to repay advances from the Company to Power included in accounts receivable.

In October 1980 Westmin Resources Limited purchased 2.1 million outstanding and treasury shares (23%) of Lacana Mining Corporation at a cost of $23.6 million and was granted a right, under certain circumstances, to purchase within three years an additional one million treasury shares for $15.5 million.

Increased interests in the following investments were acquired in 1980:

	Cost	% Acquired
John Labatt Limited	$58.1	18%
London Life Insurance Company	11.9	10

Included in the carrying values of corporate investments on the equity method is $61 million (1979—$23 million) representing the remaining unamortized excess of acquisition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of John Labatt Limited, Great Lakes Power Limited and Lacana Mining Corporation and is being amortized over the estimated useful life of the assets.

6 Investment in Brascan Brazil

The Brazilian operations are held through companies incorporated under the laws of Brazil.

(a) Registered companies

The investment in Brascan Brazil in the accompanying consolidated balance sheet represents those subsidiaries a substantial portion of whose capital is registerable under Brazilian foreign investment legislation. These investments are carried at their equity value at December 31, 1978 adjusted for the cost of subsequent investments and disposals. Income from these investments is recognized when converted into dollars. No dividends have been received in 1980.

In June 1980, under an agreement with the Bank of Montreal, the investment in Banco Brascan, together with Banco Brascan's parent holding company, was exchanged for 1.4 million common shares of the bank (included in marketable securities) and preferred shares of its subsidiary, First Canadian Investments Limited (included in corporate investments—note 5), at an aggregate price of approximately $87.0 million. After provision for Canadian taxes, no gain or loss on this sale was recorded.

In July 1980, the Company acquired from John Labatt Limited all the shares of its wholly-owned Brazilian subsidiary holding company, John Labatt do Brasil Participações Ltda., for $15.7 million. Following its acquisition, the name of the company was changed to Brascan Partiçipações Ltda.

In October 1980, $35.5 million was realized on the restructuring of the investment in one of the registered holding companies. This substantially covered the purchase from Patiño N.V. of its 96% interest in Companhia Estanifera do Brasil ("CESBRA"), a tin mining and smelting company in Brazil, for $38.2 million. Patiño N.V. has an approximate 17% indirect shareholding in the Company.

Registered capital amounted to approximately $44.0 million, including approximately $15.9 million, the registration of which if being transferred to the company following the purchase of CESBRA, at December 31, 1980 ($70.0 million at December 31, 1979). Annual dividend remittances, net of withholding tax of 25%, are effectively limited to 12% of registered capital.

(b) Non-registered Company

Part of the investment in Brazil is held through a company whose capital is not registered under the Brazilian foreign investment legislation referred to above. The investment in this company, together with income therefrom, is not reflected in the accompanying financial statements and will be recorded only when converted into dollars.

In April 1980, the investment of both the Company and John Labatt Limited in Skol-Caracú was sold for the cruzeiro equivalent of U.S.$45.0 million. The Company's 67% share of this joint venture was held by its non-registered holding company and the proceeds have been reinvested in Brazil.

7 Property, Plant and Equipment—Net

	1980			1979
millions	Cost	Accumulated Depreciation and Depletion	Net	Net
Petroleum:				
Properties by cost centre—				
North America	**$143.9**	**$20.2**	$123.7	$ 99.3
Arctic	**8.8**		8.8	8.7
Foreign	**1.5**		1.5	—
	154.2	**20.2**	134.0	108.0
Plant and equipment	**19.5**	**3.3**	16.2	9.9
	173.7	**23.5**	150.2	117.9
Mine	**26.9**	**11.9**	15.0	5.5
Coal properties and other	**8.0**	**1.4**	6.6	6.5
	$208.6	**$36.8**	$171.8	$129.9

8 Long-term Debt

millions	1980	1979
Promissory note*	$168.8	$168.8
Term bank loan due 1982**	22.0	—
8¼% bonds due annually 1981 to 1987 (U.S.$14.5)	17.3	18.1
8.3% loan due annually 1982 to 1988 (U.S.$30.0)	35.8	35.0
8½% bonds due annually 1981 to 1988 (DM 85.0)	51.9	60.9
9¾% notes due annually 1981 to 1982 (U.S.$27.6)	33.0	33.8
	328.8	316.6
Less amounts due within one year	(8.5)	(9.1)
	$320.3	$307.5

*The promissory note bears interest (currently 15.5%) based on rates applicable to ninety-day bank deposits. It is due at the holder's option on ninety days' notice between January 1, 1982 and October 15, 1989

**May be secured at the request of the bank by oil and gas and mining properties

Notes to Consolidated Financial Statements

Maturities (excluding the promissory note) during the next five years are as follows:

millions	
1981	$ 8.5
1982	67.6
1983	13.9
1984	13.9
1985	13.9

9 Shareholders' Equity

millions	1980	1979
Share capital	$243.4	$236.0
Retained earnings	691.2	644.9
	934.6	880.9
Less shares held by a subsidiary, at cost	(25.2)	(25.2)
	$909.4	$855.7

Share capital consists of:			
Authorized:			
593	6% cumulative voting preference shares, convertible into ordinary shares (1979—919)		
Unlimited	Voting preferred shares issuable in series		
Unlimited	Class A ordinary shares		
Unlimited	Class B ordinary shares		
5,000,000	Class C ordinary shares		
Issued and outstanding:			
593	6% preference shares (1979-919)	$ .1	$ .1
1,393,500	8½% tax deferred preferred shares Series A (1979—1,397,900)	34.8	35.0
*28,654,342	Ordinary shares (1979—28,354,872)	208.5	200.9
		$243.4	$236.0

*Of which 2,293,522 shares (non-voting) are held by a subsidiary

(a) Preferred Shares

The first series of preferred shares consists of 1,393,500 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A", and the second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A share is convertible after April 15, 1988 into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax deferred income in the hands of Canadian shareholders until 1988.

The Series A and Series B preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution or winding up.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to $25.00. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of $1.00 per share reducing by $0.25 annually to 1987 and at $25.00 thereafter.

(b) Ordinary shares

Number of Shares	1980	1979
Class A convertible	**25,868,567**	25,185,818
Class B convertible	**779,429**	859,519
Class C convertible	**2,006,346**	2,309,535
Issued and outstanding	**28,654,342**	28,354,872
Less Class A convertible shares (non-voting) held by a subsidiary	**2,293,522**	2,293,522
	26,360,820	26,061,350

In May 1980 the Company was continued under the Canada Business Corporations Act and limits upon the authorized number of Class A and Class B convertible ordinary shares and preferred shares were removed.

The Class A, B, and C ordinary shares rank equally in all respects except for the following:

Class A and Class B shares are fully interconvertible at the option of the holder.

Dividends on Class B shares may be paid by way of stock dividends.

Class C shares are convertible into Class A shares at the option of the holder.

Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

During the year, 282,010 Class A ordinary shares at an average price of $26.22 were issued under the Company's share purchase plans. At December 31, 1980, loans to employees under the Company's share purchase plan amount to $7.1 million (1979—$.5 million) including interest bearing loans to directors and officers of $6.6 million (1979—$.2 million).

15,287 Class A ordinary shares were issued on January 1, 1981, to acquire the remaining shares of Great Lakes Power Corporation Limited. For accounting purposes these shares have been reflected above as issued in 1980.

Other changes in the number of Class A, B, and C shares outstanding reflect shares issued upon the conversion of preference shares and conversions by the holders among the classes.

10 Dividends Declared

Ordinary dividends in 1980 represent $1.40 per share and in 1979 represent U.S.$0.85 per share and Can.$0.30 per share.

Preferred Series A dividends represent $2.125 per share in 1980 and 1979.

11 Income Taxes

Income tax recoveries of $8.7 million (1979—$17.2 million) arising from the application of loss carry-forwards, which resulted primarily from the Brazilian taxes paid on the sale of electric utility operations in Brazil, were realized during the year and are reflected as extraordinary items. Additional non-capital losses may be available to reduce such taxable income as may arise in the future.

Corporate tax returns of the Company have been examined by the authorities for years up to December 31, 1977 with no major adjustments to returns as originally filed. Income tax returns for subsequent years, which include the results of significant dispositions by the Company, have yet to be examined.

12 Commitments and Contingencies

Great Lakes Power Limited is constructing a new hydro-electric generating plant at an estimated cost of $110.0 million (including interest during construction) of which $35.0 million has been expended to December 31, 1980. The Company has agreed to guarantee borrowings of Great Lakes Power Investments Limited and Great Lakes Power Limited amounting to an aggregate of $152 million (note 5) none of which had been drawn at December 31, 1980. These guarantees terminate when the new plant is commissioned and prescribed profit levels are achieved by Great Lakes Power Limited.

Other capital commitments outstanding as at December 31, 1980, were approximately $10.0 million.

Subsequent to the sale of Light, two legal proceedings were initiated in 1979 in Brazil seeking to reverse the sale of the Company's holding in Light to Eletrobrás. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined, and upon judgment, the action was found to be without cause. The Plaintiff

has, however, appealed this judgment. The Company and Eletrobrás have filed their arguments, supporting the basis of the initial judgment. The case will now be heard by the Federal Appeal Court. The Company is advised by its Brazilian counsel that the grounds on which the proceedings are based are without merit.

Most employees in Canada are covered by retirement plans. Based on the latest actuarial valuations of the various retirement plans, there are no unfunded obligations for past service costs.

Notes to Consolidated Financial Statements

13 Comparative Figures

Certain of the prior year's accounts have been restated to conform with the 1980 presentation including restatements made to:

(a) give retroactive effect, for purposes of comparison, to the non-consolidation of the accounts of the electric utility division of Great Lakes Power Corporation Limited (note 5);

(b) segregate net foreign exchange gains and losses previously included primarily in investment income and interest on debt; and

(c) combine mining taxes previously included in natural resource income with current and deferred income taxes.

14 Other Information

(a) The directors have determined the classes of business of the Company on the basis of its principal areas of investment—natural resources (petroleum, mining and electric utility), consumer products and financial services.

(b) Consolidated subsidiaries' gross operating revenue by segment is as follows:

millions	**1980**	1979
Petroleum (oil and gas)	**$49.0**	$29.5
Mining (base and precious metals)	**41.0**	42.8
Natural resources	**90.0**	72.3
Financial services	**3.4**	3.0
	$93.4	$75.3

(c) Additional segmented information for consolidated operations:

	Natural Resources		Financial Services	
millions	**1980**	1979	**1980**	1979
Income for the year	**$ 48.1**	$ 42.4	**$ .5**	$ .5
Identifiable assets at December 31	**221.1**	193.0	**2.6**	8.2
Capital expenditures for the year	**49.7**	48.6	**—**	—

(d) Additional segmented information for non-consolidated investments:

millions	Natural Resources 1980	Natural Resources 1979	Consumer Products 1980	Consumer Products 1979	Financial Services 1980	Financial Services 1979
Income for the year	**$ 22.9**	$ 8.0	**$ 12.0**	$ 6.6	**$ 7.4**	$ 2.1
Investment at December 31 (note 5)	**365.5**	354.0	**223.6**	73.5	**40.3**	20.6
Investments made in the year	**23.6**	293.9	**146.0**	.1	**11.9**	3.2

(e) Income before allocated expenses has been determined after the following:

millions	1980	1979
Equity in income of corporate investments (note 5)	**$21.6**	$12.7
Dividend income	**25.8**	4.0
Depreciation, depletion and amortization	**7.7**	5.3

millions	1980	1979
(f) Interest on debt incurred initially for a term of less than one year	**$ 6.6**	$ .2

(g) General corporate expenses for 1979 include $6.0 million of expenses associated with the Woolworth offer and $2.2 million associated with the reorganization of the corporate office.

(h) The Company or certain of its affiliated or associated companies arranges, without cost, investment transactions on behalf of other affiliates and associates. In addition, financing transactions with affiliates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions by the Company.

Directors

William (Bill) G. Brissenden
Toronto, Canada
President
William G. Brissenden Inc.

Edward M. Bronfman [4]
Toronto, Canada
Deputy Chairman
Edper Investments Limited

Peter F. Bronfman [4]
Toronto, Canada
Chairman
Edper Investments Limited

Jack L. Cockwell [2]
Toronto, Canada
Senior Vice-President, Planning
Brascan Limited

J. Trevor Eyton [1,2,3]
Toronto, Canada
President and Chief Executive Officer
Brascan Limited

A. William (Bill) Farmilo [2]
Calgary, Canada
Executive Vice-President, Canada
Brascan Limited

Edward (Ted) C. Freeman-Attwood [1,2]
Rio de Janeiro, Brazil
Executive Vice-President, Brazil
Brascan Limited

John F. Gallagher [3]
Chicago, U.S.A.
Vice-President, International Operations
Sears, Roebuck and Co.

Antonio (Toni) Gallotti
Rio de Janeiro, Brazil
Consultant

J. Peter Grace
New York, U.S.A.
President and Chief Executive Officer
W. R. Grace & Co.

James (Jim) F. Grandy [1]
Ottawa, Canada
President
Reisman and Grandy Limited

Lewis (Lew) B. Harder
New York, U.S.A.
Chairman of the Board
International Mining Corporation

Norman E. (Peter) Hardy [2]
London, Canada
Chairman of the Board
John Labatt Limited

Patrick J. Keenan [1,2,3]
Toronto, Canada
President and Chief Executive
Patiño, N.V.

Frederic (Fred) Y. McCutcheon [1,2]
Toronto, Canada
President
Arachnae Management Ltd.

Harold P. Milavsky [1]
Calgary, Canada
President and Chief Executive Officer
Trizec Corporation Ltd.

Jaime Ortiz-Patiño [4]
Geneva, Switzerland
Chairman of the Board
Patiño, N.V.

Sam Pollock
Montreal, Canada
Vice-President
Carena-Bancorp Holdings

Max Tanenbaum
Toronto, Canada
Chairman of the Board
York Steel Construction Limited

Peter N. T. Widdrington
London, Canada
President and Chief Executive Officer
John Labatt Limited

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2 Executive Committee
3 Salary and Organization Committee
4 Ex-officio Member Executive Committee

Officers

Peter F. Bronfman
Chairman of the Board

Jamie Ortiz-Patiño
Vice-Chairman of the Board

J. Trevor Eyton
President and Chief Executive Officer

A. William (Bill) Farmilo
Executive Vice-President, Canada

Edward (Ted) C. Freeman-Attwood
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Robert A. Dunford
Senior Vice-President and Chief Legal Officer

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Senior Vice-President and Chief Financial Officer

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Vice-President

Wendy M. Cecil-Stuart
Director, Public Affairs

Frank N. C. Lochan
Director, Financial Services

Robert G. Yeoman
Director, Corporate Development

Brascan Limited—Head Office

Box 48, Commerce Court West
Toronto, Ontario M5L 1B7
Tel. 416 363 9491 Telex 065 24254

Transfer Agents

National Trust
Company, Limited
Toronto, Montreal,
Vancouver, Calgary,
Winnipeg and Halifax

Citibank, N.A.
New York

Registrars

Canadian Imperial
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